

RECOGNITION AND MEASUREMENT

Recognise when it is probable that:

- The future economic benefits or service potential associated with the asset will flow to the entity; and
- The cost or fair value of the asset can be reliably measured.

Measurement:

- Initially recorded at cost.
- When the asset is acquired through a non-exchange transaction, its cost is the fair value on the date of acquisition.
- Subsequent costs are only recognised if costs can be reliably measured and these will lead to additional economic benefits flowing to the entity.

Cost comprises:

- Purchase price plus import duties and taxes.
- Any costs **directly attributable** to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

SUBSEQUENT MEASUREMENT - applies to an entire class of property, plant and equipment

THE COST MODEL

The asset is carried at cost less accumulated depreciation and impairment losses.

THE REVALUATION MODEL

The asset is carried at a revalued amount, being its fair value at the date of the revaluation, less subsequent depreciation and impairment losses, provided that fair value can be measured reliably.

DEPRECIATION

- The depreciable amount of the asset is allocated on a systematic basis over its useful life.
- The residual value, the useful life and the depreciation method of an asset are reviewed annually at reporting date.
- Changes in residual value, depreciation method and useful life are changes in estimates and accounted for prospectively in accordance with PBE IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*.
- Depreciation is charged to surplus or deficit, unless it is included in the carrying amount of another asset.
- Depreciation commences when the asset is available for use.
- Depreciation method must reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity.

- Revaluations should be carried out regularly (the carrying amount of an asset should not differ materially from its fair value at the reporting date - either higher or lower).
- If an item is revalued, the entire class of assets to which that asset belongs should be revalued.
- Revalued assets are depreciated the same way as under the cost model.
- An increase in value is credited to other comprehensive revenue and expense under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in this case the increase in value is recognised in surplus or deficit.
- Revaluations increases and decreases within a class of property, plant and equipment must be offset against one another, but must not be offset in respect of a different class.

OTHER

COMPONENT ACCOUNTING

- Significant parts/components should be depreciated over their estimated useful life.
- Costs of replacing parts should be capitalised.
- Continued operation of an item of PPE may require regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognised in the carrying amount of the item of PPE as a replacement if the recognition criteria are satisfied.
- Depreciation method must reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity.

DERECOGNITION

- Remove the asset from the Statement of Financial Position on disposal/ when withdrawn from use and no future economic benefits or service potential are expected from its disposal.
- The gain or loss on disposal is the difference between the proceeds and the carrying amount and is recognised in surplus or deficit.
- When a revalued asset is disposed of, any revaluation surplus may be transferred directly to accumulated comprehensive revenue and expense. The transfer to accumulated comprehensive revenue and expense is not made through surplus or deficit.